



Environmental Quality Advisory Board
Office of Environmental Initiatives
City of Scottsdale
7447 E Indian School Rd STE 105
Scottsdale, AZ 85251

Staff Contact: Tim Conner
Email tconner@scottsdaleaz.gov
PHONE 480-312-7833
FAX 480-312-7314
WEB www.ScottsdaleAZ.gov

To: Mayor and City Council
From: Environmental Quality Advisory Board
Date: May 12, 2016
Re: May 17, 2016 Council Meeting – Agenda Item 26
Solid Waste Department’s Proposed Commercial Recycling Rate Increase

EQAB has reviewed the Solid Waste Department’s proposed rate increase and the report on which it is based (Solid Waste Cost of Service and Rate Design Study, Final Report, March 2016, prepared by NewGen Strategies and Solutions). The proposed commercial recycling rate increase would be detrimental to commercial and multi-family recycling, our city’s image, and the local and global environment. EQAB recommends an alternative action in lieu of the proposed rate increase.



The proposed commercial recycling rate increase is premature.

The cost of service and rate design study had a narrow focus: “to determine the solid waste fees required to adequately recover the costs of providing services.” (1-3, underline added) Its scope did not include, for example, strategies to increase operational efficiency or reduce costs. Although beyond the study scope, NewGen notes: “there are potential operational improvements in . . . the recycling front load and roll-off operations.” (4-2) Further, NewGen recommends: “the City perform an operational review . . . to evaluate the financial impact that operational improvements may have prior to implementing the proposed commercial rate increase for FY 2018.” (4-2) EQAB suggests that **operational efficiencies and cost savings should be implemented before a rate increase, not after.**



Be aware of assumptions in the NewGen study.

- a) Recycling revenue (income the City receives from the sale of recyclable materials) is assumed to remain constant throughout the five-year study period (FY 2016 - 2020) at \$377,880.
 - Recycling commodity prices are extremely low at this time. It is unlikely prices will remain this low. For example, in 2013, Scottsdale’s recycling program produced a \$736,000 profit from the sale of recycled material and saved \$592,000 by diverting this material from the landfill.
 - Irrespective of recycling revenue levels, diversion from the landfill always saves money because recycled materials do not incur landfill disposal fees (tipping fees).
- b) The study assumes no growth in the recycling diversion rate – in other words, that the community will not recycle more and throw away less over the next five years. That is unlikely and undesirable.
- c) The study assumes zero percent growth in projected commercial billing units.
 - NewGen determined the cost of service by dividing the revenue requirement for each service category by the number of billing units. NewGen assumed zero percent growth in projected billing units for commercial refuse and recycling over the five-year study period. However, the Solid Waste Department expects a 20% loss in business in response to the proposed rate

increase. This loss would impact NewGen's cost of service calculations and projected revenue recoveries, resulting in 'under recovery' despite charging higher fees.

- Given the expected 20% loss of business, the proposed rate increase would put operational efficiencies further out of reach.



Is there another solution? Can we grow our way out of 'under recovery'?

As the NewGen study notes: "recycling collection operations become more cost effective with greater route density and by maximizing the number of collections (i.e., pulls or lifts) per route." However, "[t]he current number of customers and collections per week for the roll-off operations and the front load recycling operation are not sufficient to make these operations financially competitive in the marketplace." (4-2)

The facts underlying the latter observation deserve a closer look. The front load recycling program has been offered for only three years. Throughout that time, demand has grown. In fact, requests for service have exceeded the department's capacity to meet them. In other words, the problem has not been lack of demand, but rather lack of sufficient resources to meet demand. The City can either kill off the program with a 211% to 306% rate increase or adequately resource and GROW the program to a sustainable, i.e., cost effective, level.

A drastic rate increase is not the only answer to 'under recovery.' Opportunities abound to increase waste diversion across all sectors. Recycling, rather than being perceived as an underperforming problem to shed, is part of the solution. Operational efficiency + cost savings + maximizing growth is an efficacious route to financial stability.



Policy decisions reflect a community's values. What kind of city do we want to be?

The City Council recently received a letter (Attachment 1) from a tourist who was so horrified by the state of recycling in our city that she took the time to write a very thoughtful letter. She invites Scottsdale to "join the modern age" and become "environmentally friendly by offering comprehensive recycling service." The letter really says it all. At a time when many communities have implemented waste reduction – and even "Zero Waste" – goals, does Scottsdale really want to be the community described in this letter?

Values should lead policy and policy should lead budget – not the other way around. The proposed rate change is driven solely by cost of service in the absence of all other considerations.

What do our citizens and business community expect? Millennials and other apartment dwellers are clamoring for on-site recycling. The San Francisco Giants have won eight consecutive Major League Baseball Green Glove Awards. Last year, their waste diversion rate at their regular season home, AT&T Park, was an astounding 95.7%. Scottsdale's own Hyatt Regency is the model for Hyatt Global's pledge to sustainability.

Recycling is good for our community. As demonstrated in EQAB's Hyatt Regency Scottsdale award presentation, waste diversion has multiple benefits that extend well beyond resource recovery.

The City's General Plan versions 2001, 2011 and 2035 contain recycling goals in the Environmental Planning and Public Services elements. The operative words in these goals are: maximize, promote, encourage, innovative, sustainable, for present and future generations.

Solid Waste's current "Strategic Goals" (Attachment 2) is essentially a list of services already provided. To become the world-class city we aspire to be and our citizens and business community expect, we need a **visionary** Solid Waste Strategic Plan.



Formulate Scottsdale's Solid Waste VISION. Develop service and rate structures that encourage waste diversion across all sectors. Grow recycling through fresh, top-to-bottom, forward-thinking strategies.

Like Solid Waste, Scottsdale Water is an Enterprise Fund. Yet its rate structure is both cost-based **and** designed to encourage water conservation. Under an "increasing block rate structure," the unit price of water increases as the volume of consumption increases.

Water rate structures play an essential role in communicating the value of water to customers, thus promoting long-term efficient use. Increasing block rate structures most effectively communicate this message ... when compared to other types of rate structures. ... Customers who use low volumes of water are charged a modest unit price [that] rewards conservation.— Water and Sewer Rate Report • FY 2016/17

Pay As You Throw (PAYT) is an analogous rate structure in the solid waste world. Also known as unit-based pricing or variable-rate pricing, PAYT provides a direct economic incentive to reduce waste. Customers are charged for waste collection based on the size of their requested refuse container. As a result, customers are motivated to reduce, reuse and recycle.

PAYT programs successfully operate throughout the United States – in communities of all sizes, throughout all sectors (e.g., residential, multi-family, commercial), and with the participation of municipal and private haulers. The City of Phoenix has instituted a PAYT program as one strategy to reach its 40 X 20 goal: 40 percent diversion by 2020.

PAYT is but one example of the many strategies available to provide Scottsdale with financially and environmentally sustainable solid waste management.



Proposed Action

EQAB appreciates the need to equitably distribute costs between customer classes and safeguard the financial integrity of the utility. However, EQAB believes the proposed commercial recycling rate increase would be a giant step backwards and recommends instead that Council direct the following alternative:

- 1) First, implement operational efficiencies and cost savings while growing the commercial recycling program to achieve necessary density. Then, address any remaining 'under recovery.'
- 2) Formulate a Solid Waste VISION that embodies Scottsdale's community values.
- 3) Develop a Strategic Plan to achieve that VISION. The Plan should a) grow waste diversion across all sectors, b) capture Best Management Practices from around the country and c) delineate specific, measurable goals.

A handwritten signature in black ink that reads "Alisa McMahon".

Alisa McMahon, Chairperson

May 12, 2016

Date

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Received

Dear members of the Scottsdale City Council,

Recently, I took a vacation to Scottsdale, Arizona for the locally-held soccer tournament. While I was staying in our hotel, I noticed that there were not any recycling bins. This was shocking to me since this is 2016 and recycling programs have been in place throughout the country for decades. The only two places where I found recycling bins were in the Phoenix Airport (which is outside of Scottsdale) and the Whole Foods in Scottsdale, a business committed to environmental conservation.

Strikingly, there were also no recycling bins at the soccer fields. There were 22 divisions in the soccer tournament with 12 teams per division (i.e. Boys U8 or Girls U8) that played in the Blackhawks Invitational Tournament. Athletes likely travelled with one to four members of their families, so say an average of three people per family including the athlete with about 14 players per team. If every one of these people used a single plastic water bottle to stay hydrated, that is a total of 11,088 plastic water bottles that were used and thrown away because the hosting city does not recycle. 11,088 is a huge number, especially since many teams probably used more than one water bottle per person, and that is just for one tournament.

One other figure I would like to present is the number of newspapers that could have been recycled, but were not since recycling was not an option. If each family that attended the soccer tournament bought and read one newspaper during their stay, then a total of 3,696 newspapers were thrown into the trash and ended up in the landfill. Alone these numbers may seem unimportant, but if every time Scottsdale hosts a soccer tournament, professional golf tournament (such as the week before), or any other event that draws tourists into the area, then thousands of recyclable items are being thrown into the trash, simply because the city has chosen not to join the modern age and have a visible recycling program.

My purpose in sending this letter is simple: to enlighten the Scottsdale City Council of the waste the city is creating in the hope that you will enact a piece of legislation that requires your businesses to recycle. As Scottsdale has several large shopping centers and is proud of being high-end, I encourage you to extend this leadership to reducing landfill usage of recyclable materials.

As John Muir, the nation's first preservationist, wrote, "Any fool can destroy trees. They cannot defend themselves or run away. And few destroyers of trees ever plant any; nor can planting avail much toward restoring our grand aboriginal giants. It took more than three thousand years to make some of the oldest of the Sequoias, trees that are still standing in perfect strength and beauty, waving and singing in the mighty forests of the Sierra." I invite you to join the cities of Seattle, San Diego, Los Angeles, New York, Olympia, and many other cities all across the nation in becoming environmentally friendly by offering comprehensive recycling services.

Sincerely,

Sarah Walker

SARAH WALKER
231 1st Ave NE
Issaquah, WA 98027

Council Office

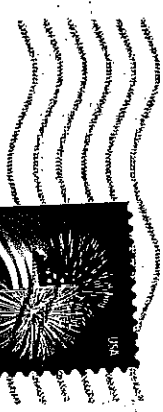
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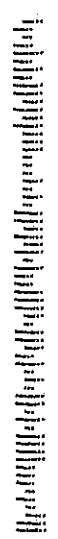
Scottsdale City Council
3939 N. Drinkwater Blvd
Scottsdale, AZ 85251

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SOLID WASTE MANAGEMENT

Strategic Goals

Description

Solid Waste maintains clean neighborhoods and protects public health by providing solid waste collection, transportation, disposal, compliance and education services at the lowest practical rate and the highest possible customer satisfaction.

Services Provided

- Residential Collection Services provides weekly refuse and recycling collection and monthly brush and bulk collection to more than 80,000 single family residential customers.
- Commercial Collection Services provides commercial refuse collection 6 days a week to businesses, multifamily housing developments, all City facilities and parks.
- Container Repair Services provides customer service to more than 80,000 single family homes serviced by residential collection services; and provides direct services to more than 1,445 Scottsdale businesses serviced by commercial front loader collection services and 1,957 businesses and/or residents serviced by the commercial roll-off collection program.
- Household Hazardous Waste provides a safe, legal and convenient way for residents to dispose unwanted or unneeded items.
- Transfer Station Operations provides a central location for solid waste residential, brush and commercial collection vehicles working in the northern part of the City to drop off loads of refuse, brush and recyclables rather than hauling them directly to the landfill or recycling facility.
- Other collection and landfill diversion programs such as electronics recycling, moving box and white goods collections.